

## Message Text

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PAGE 01 BANGKO 12176 071240Z

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ACTION EA-14

INFO OCT-01 ADP-00 EB-11 SS-15 H-03 INR-10 RSR-01 RSC-01

/056 W

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R 070946Z AUG 73

FM AMEMBASSY BANGKOK

TO SECSTATE WASHDC 5441

INFO AMEMBASSY SEOUL

AMEMBASSY TAIPEI

AMEMBASSY MANILA

AMEMBASSY JAKARTA

AMEMBASSY SINGAPORE

AMEMBASSY KUALA LUMPUR

C O N F I D E N T I A L BANGKOK 12176

STADIS////////////////////////////////////

E.O. 11652: GDS

TAGS: EGEN

SUBJECT: SENATE HEARINGS ON OPIC

REF: STATE 141296

FOLLOWING REPRESENTS COORDINATED EMBASSY-USOM VIEWS  
BECAUSE LATTER PROVIDES FIELD OFFICE SUPPORT TO OPIC:

1. EMBASSY BELIEVES THAT CONTINUED PROVISION OPIC POLITICAL  
RISK INVESTMENT INSURANCE TO US PRIVATE INVESTORS  
IN THAILAND IS AN IMPORTANT BUT NOT CRITICAL ELEMENT OF  
REASSURANCE TO RTG OF CONTINUED USG INTEREST THAILAND  
AND TO US INVESTORS OF CONTINUED FAVORABLE USG OVERALL  
OPINION OF THE THAI CLIMATE FOR INVESTMENT AND TRADE.

2. HOWEVER, AVAILABILITY OPIC INSURANCE THAILAND NOT  
REPEAT NOT PRIMARY INFLUENCE ON INVESTMENT DECISIONS BY  
US FIRMS. TO DATE MOST INVESTORS HAVE NOT UTILIZED  
OPIC. MANY FIRMS, NEVERTHELESS, HAVE TAKEN INSURANCE AS  
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PAGE 02 BANGKO 12176 071240Z

INCIDENTAL ACTION EITHER BASED ON CONSERVATIVE, PRUDENT

BUSINESS PRACTICE OR TO ALLEVIATE POSSIBLE APPREHENSIONS  
BOARD OF DIRECTORS OR SHAREHOLDERS RELATIVELY UNINFORMED  
RE THAILAND. BELIEVE THAT REMOVAL AVAILABILITY OF INSURANCE  
WOULD BE INTERPRETED BY US INVESTORS AND EXPORTERS  
AS CHANGED USG VIEW THAI POLITICAL/ECONOMIC CLIMATE AND  
MIGHT MAGNIFY SOME PRESENT UNCERTAINTIES REGARDING INVESTMENT  
AND THE EXTENSION OF EXPORT CREDIT TERMS BASED ON  
OTHER FACTORS INCLUDING UNSETTLED REGIONAL SITUATION.

3. ENCOURAGEMENT PRIVATE FOREIGN INVESTMENT AN RTG  
PRIORITY AND BELIEVE OPIC OPERATIONS VIEWED BY THAI AS  
SUPPORTING THIS. POLITICAL RISK INSURANCE PROGRAM HAS  
NOT CREATED PROBLEMS FOR EMBASSY, ROUSED NATIONAL SENSI-  
TIVITIES NOR, TO OUR KNOWLEDGE, MADE INVESTORS LESS  
RESPONSIVE THAI SENSITIVITIES. HAVE BEEN NO CLAIMS ARISING  
THIS TYPE OPIC INSURANCE IN THAILAND AND THUS ARBI-  
TRATION AND SUBROGATION REQUIREMENTS ARE ABSTRACT ISSUES  
DIMLY SEEN IF AT ALL CONSIDERED.

4. EMBASSY FAVORS INVESTMENT GUARANTEE PROGRAM IN  
PRINCIPLE AS A MEANS TO ATTRACT PRIVATE CAPITAL TO WORTH-  
WHILE PROJECTS. HOWEVER, THE EXPERIENCE IN THAILAND OF  
TWO FAILURES, WITH ATTENDANT ADVERSE PUBLICITY, AND ONLY  
ONE SUCCESSFUL PROJECT, INDICATES NEED FOR MORE CAUTIOUS  
EVALUATION OF COMMERCIAL VIABILITY OF ANY FUTURE PROJECTS.  
IN SUCH EVENT, EVEN HEAVIER COMMITMENT OF STAFF TIME, WHICH  
REMAINS UNBUDGETED, SHOULD BE ANTICIPATED.

5. BELIIVE OPIC OPERATIONS FACILITATE US PRIVATE INVESTMENT  
AND TRADE WITH RESULTANT POSITIVE IMPACT ON EMPLOYMENT IN  
THE USA AND ON US LONG TERM BALANCE OF PAYMENTS POSITION.  
BELIEVE US INVESTMENT THAILAND MAINLY MOTIVATED BY DESIRE  
TO: (A) ESTABLISH OR MAINTAIN A MARKET POSITION IN THAILAND  
OR OTHER FOREIGN COUNTRY NOT OTHERWISE POSSIBLE; (B) FACILI-  
TATE EXPORT OF US SERVICES; (C) ACHIEVE LOWER NET COSTS ON  
PRODUCTS NEEDED IN THE USA WHICH WOULD OTHERWISE BE IMPORTED  
FROM ANOTHER COUNTRY; AND (D) GAIN ACCESS TO RAW MATERIALS.

6. THERE COULD BE LONG TERM RISK NATIONALIZATION FOREIGN  
INVESTMENT IN EXTRACTIVE INDUSTRY, IF IT SHOULD BECOME  
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PAGE 03 BANGKO 12176 071240Z

DOMINANT FACTOR THAI OVERALL ECONOMY. THIS RISK GREATER  
THAN FOR MANUFACTURING. MINERALS DEVELOPMENT CONSIDERED  
A MAJOR POTENTIAL FOR THAILAND WHICH SHOULD BE ENCOURAGED.  
HOWEVER, RISK FOR MINING MINIMIZED BY EXISTING REGULATIONS  
THAT RESTRICT FOREIGN PARTICIPATION IN THIS SECTOR AND  
THE DIVERSITY OF THE THAI ECONOMY. FOR PROMOTED INDUSTRIES  
IN THAILAND RTG GUARANTEES AGAINST EXPROPRIATION.

7. EMBASSY VIEWS OPIC OPERATIONS AS ESSENTIALLY REACTIVE AND NOT PERFORMING EITHER AN INITIATING OR INNOVATIVE ROLE OVERSEAS OR IN USA. BOTH INITIATION OF ACTUAL INVESTORS' REQUESTS FOR OPIC SERVICES AND OPIC RISKS IN PROVISION OF SERVICES ARE BASED ON OPPORTUNITIES AND SITUATIONS OVERSEAS. HOWEVER, OPIC MAINTAINS NO OVERSEAS STAFF AND DEPENDENT ON PART TIME SERVICES OF MISSION ELEMENT WHICH UNABLE OFFSET BUDGET STAFF COSTS TO OPIC.

8. BELIEVE USG INTERESTS IN PRUDENT MANAGEMENT WOULD BE SERVED BETTER AND IMPACT OF OPIC OPERATIONS IMPROVED IF (A) ESTABLISHED BASIS WERE PROVIDED FOR ALLOCATION OF OVERSEAS STAFF TIME RELATED TO OPIC OPERATIONS; AND (B) OPIC ASSUMED AN INITIATING ROLE IN THE USA WITH POTENTIAL INVESTORS THROUGH DIRECT INVOLVEMENT IN DEVELOPMENT AND FINANCIAL PACKAGING OF PRIVATE INDUSTRIAL INVESTMENT PROJECTS IN DEVELOPING COUNTRIES AS A COMPLEMENTARY ACTIVITY TO AID DEVELOPMENT PROGRAMS AND EXIM OPERATIONS.  
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**Disposition Action:** RELEASED  
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**Errors:** N/A  
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